# UK business insolvencies hit highest level in nine months amid tax and economic pressures



Business insolvencies in the UK have surged in recent months, hitting their highest levels since last July, driven by a combination of increasing tax liabilities and persistent economic instability. According to the latest figures from the Insolvency Service, registered company insolvencies in England and Wales rose by 3% in April to 2,053, signifying a worrying trend as firms grapple with mounting financial pressures. Although this is a substantial rise compared to a more stable month prior, it remains 5% lower than the same month last year, suggesting a complex scenario for businesses navigating through fluctuating economic conditions.

The rising insolvencies have been particularly fuelled by tax increases imposed by the government. The increase in National Insurance contributions has particularly escalated labour costs for businesses, compounding challenges already faced in a tumultuous economic environment. Analysts have noted that these financial burdens, coupled with slow consumer spending and rising operational costs, are pushing many businesses to the brink. Creditors’ voluntary liquidations, where companies voluntarily choose to dissolve, accounted for a significant share of these figures, with 1,544 instances reported in April.

Meanwhile, compulsory liquidations—where firms are forced to close often due to creditor pressures—have also seen a dramatic rise, reaching 379, the highest level in over five years. This indicates a notable shift in the landscape, as it appears creditors are becoming increasingly proactive in claiming outstanding debts. Tom Russell, president of R3, the insolvency and restructuring trade body, expressed concern over the high numbers of voluntary liquidations, attributing them to ongoing economic uncertainty and the high costs that businesses struggle to manage. He highlighted that “the consistently high numbers reflect the ongoing challenges, high costs and political and economic uncertainty businesses face.”

Additionally, the statistics reveal that the insolvency figures for April 2023 eclipse those seen during the COVID-19 pandemic, further underlining the scale of the current financial distress. The Office for National Statistics emphasized the concerning trajectory, indicating that financial strain is being felt across various sectors, with construction notably among the hardest hit. Rising inflation and increased labour costs are particularly destabilising for firms in this industry, which has accounted for a significant portion of recent insolvencies.

Jo Hewitt, a senior managing director at FTI Consulting, remarked that while a recent interest rate cut may offer some relief for burdened borrowers, it is still uncertain whether the overall business sector can weather ongoing market volatility. Factors such as escalating energy costs, geopolitical uncertainties, and a decline in consumer demand continue to place immense strain on businesses.

In light of these challenges, the recent figures are a stark reminder of the precarious situation many UK companies find themselves in as they attempt to navigate a landscape laden with economic hurdles. As government bodies strive to maintain financial stability, the ability of businesses to adapt to these evolving challenges will be crucial in the months ahead.

Overall, while some companies may show resilience in the face of adversity, the persistence of insolvency trends serves as a crucial indicator of the broader economic health of the UK business landscape, highlighting the urgent need for strategic support and proactive measures in addressing these emerging challenges.

### Reference Map

1. Paragraphs 1, 2, 4, 5
2. Paragraphs 1, 2, 4, 5
3. Paragraphs 2, 4
4. Paragraphs 2, 4
5. Paragraphs 1, 3
6. Paragraphs 1, 2
7. Paragraphs 1, 5

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.independent.co.uk/money/monthly-company-insolvencies-rise-to-highest-level-since-last-july-b2754452.html> - Please view link - unable to able to access data
2. <https://www.gov.uk/government/statistics/monthly-insolvency-statistics-april-2023> - In April 2023, the number of registered company insolvencies in England and Wales was 1,685, a 15% decrease compared to April 2022. However, this figure was higher than both the levels observed during the COVID-19 pandemic and pre-pandemic numbers. The data also revealed a significant increase in compulsory liquidations, nearly doubling from the previous year, partly due to a rise in winding-up petitions presented by HMRC. Additionally, there was a 23% decrease in Creditors’ Voluntary Liquidations (CVLs) compared to April 2022, while numbers of administrations and Company Voluntary Arrangements (CVAs) were higher than in April 2022. These statistics highlight the ongoing challenges faced by businesses in the UK during this period. ([gov.uk](https://www.gov.uk/government/statistics/monthly-insolvency-statistics-april-2023?utm_source=openai))
3. <https://www.bloomberg.com/news/articles/2023-04-18/uk-insolvencies-surge-as-rising-rates-and-energy-bills-take-toll> - In March 2023, the number of company insolvencies in England and Wales surged to 2,457, marking a 16% increase from the same month in the previous year. This rise was attributed to escalating interest rates and energy bills, which placed significant financial strain on businesses. Experts warned that more firms were likely to face insolvency in the coming months due to these economic pressures. The data underscored the challenging economic environment for UK companies, with many struggling to manage rising operational costs and reduced consumer spending. ([bloomberg.com](https://www.bloomberg.com/news/articles/2023-04-18/uk-insolvencies-surge-as-rising-rates-and-energy-bills-take-toll?utm_source=openai))
4. <https://www.theguardian.com/business/live/2023/apr/18/china-economy-gdp-uk-unemployment-wages-ofgem-energy-meters-business-live> - In March 2023, company insolvencies in England and Wales reached 2,457, a 16% increase compared to the same month in the previous year. This marked the highest number of insolvencies in at least four years. The rise was attributed to economic challenges such as soaring costs and weak consumer spending. Compulsory liquidations more than doubled to 288, indicating increased financial distress among businesses. Experts highlighted that the economic headwinds were continuing to impact companies, with many facing difficulties in managing rising operational costs and reduced consumer demand. ([theguardian.com](https://www.theguardian.com/business/live/2023/apr/18/china-economy-gdp-uk-unemployment-wages-ofgem-energy-meters-business-live?utm_source=openai))
5. <https://www.bmmagazine.co.uk/news/company-insolvencies-surge-by-nearly-20-in-april/> - In April 2023, company insolvencies in the UK surged by 18%, reaching 2,177 compared to 1,838 in March. This increase was driven by rising debt levels, higher interest rates, and spending cuts. The construction sector was particularly affected, accounting for approximately 17% of all insolvencies, as companies grappled with inflation and rising labor costs. Compulsory liquidations rose to 300, the highest since January 2019, reflecting ongoing struggles with increasing debt levels. These trends highlight the challenging economic conditions impacting UK businesses during this period. ([bmmagazine.co.uk](https://bmmagazine.co.uk/news/company-insolvencies-surge-by-nearly-20-in-april/?utm_source=openai))
6. <https://www.cocredo.co.uk/news/monthly-company-insolvency-statistics-april-2023> - In April 2023, there were 1,685 registered company insolvencies in England and Wales, a 15% decrease compared to April 2022. However, this figure was higher than both the levels observed during the COVID-19 pandemic and pre-pandemic numbers. The data also revealed a significant increase in compulsory liquidations, nearly doubling from the previous year, partly due to a rise in winding-up petitions presented by HMRC. Additionally, there was a 23% decrease in Creditors’ Voluntary Liquidations (CVLs) compared to April 2022, while numbers of administrations and Company Voluntary Arrangements (CVAs) were higher than in April 2022. These statistics highlight the ongoing challenges faced by businesses in the UK during this period. ([cocredo.co.uk](https://www.cocredo.co.uk/news/monthly-company-insolvency-statistics-april-2023?utm_source=openai))
7. <https://www.rsmuk.com/news/insolvencies-drop-15-percent-in-april> - In April 2023, the number of registered company insolvencies in the UK was 1,685, a 15% decrease compared to the same month in the previous year. However, this figure was higher than both the levels observed during the COVID-19 pandemic and pre-pandemic numbers. The data also revealed a significant increase in compulsory liquidations, nearly doubling from the previous year, partly due to a rise in winding-up petitions presented by HMRC. Additionally, there was a 23% decrease in Creditors’ Voluntary Liquidations (CVLs) compared to April 2022, while numbers of administrations and Company Voluntary Arrangements (CVAs) were higher than in April 2022. These statistics highlight the ongoing challenges faced by businesses in the UK during this period. ([rsmuk.com](https://www.rsmuk.com/news/insolvencies-drop-15-percent-in-april?utm_source=openai))